

SILICON VALLEY / SAN JOSE
Business JOURNAL**THIS WEEK**

“The secondary markets are a critical part of the food chain.”

Manuel Henriquez
CEO of Hercules Technology Growth Capital

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Who are the South Valley angels?

- Darryl Fry, owner of U.S. Home Ownership LLC, a startup that buys and finances foreclosed homes.
- **John Varela**, former mayor of Morgan Hill, founder and president of Renewable Energy Solutions.
- **John Horner**, majority owner of educational toy store Thinker Toys
- **Danielle Davenport**, former senior IT manager at Agilent Technologies, board member at the Sustainable Business Institute
- **GINNA Raahauge**, vice president of IT for Cisco System's supply chain and order management
- **Robert Christopher**, former regional managing partner for law firm Coudert Brothers LLP, one of principal owners of Christopher Ranch LLC
- **Michael Holt**, president of wealth management advisory firm Asset Strategies and Management
- **David Smith**, CEO of electronics reclamation company Pacific Corporate Solutions

GREEN IN MORGAN HILL: Gary Jinks has formed South Valley Angels with eight investors to fund startups and create an "innovation ecosystem." He wants to grow to 20 investors.

Angels land in MoHill to link San Jose, Salinas

BY DIANA SAMUELS

MORGAN HILL – Morgan Hill isn't known as a hotbed for tech investing.

And that's precisely why Gary Jinks is starting an angel investing group there.

His group, "South Valley Angels," is officially launching May 15. It will provide an additional resource for local tech companies looking for funding, and also plans to invest in some industries where angel investors don't normally venture, like agriculture and manufacturing.

Jinks hopes the new group will help create an "innovation ecosystem" in the region between San Jose and Salinas, and also thinks the group's unique locale and approach can lead to some good returns for investors.

"We just thought we'd be a little out of the group (of typical angel investors) and possibly that would allow us to get a little bit of differentiation," said Jinks, a Morgan Hill resident and the angel group's managing director. "(We can) appear a little bit different and do some different things."

South Valley Angels will still invest in many of the same kinds of tech companies that are the focus of more traditional angel investors on the peninsula. It has already heard pitches from about 20 companies since incorporating in October, and the two companies it has picked to start due diligence on are technology companies.

"You can't get too far away from the high tech and Silicon Valley core strengths because that's where the bulk of opportunities are," Jinks said. "But we're looking to bridge a little bit of Silicon Valley with Salinas Valley."

In addition to tech investments, Jinks said the group will look at other industries where its investors have expertise. For example, one of the South Valley Angels board members, Robert Chris-

topher, brings agricultural experience and connections as a principal owner of Gilroy's Christopher Ranch LLC, the largest fresh garlic grower in the U.S.

Jinks had eight other investors as of the beginning of May, and hopes to grow that to 20 by the end of the month. While not all of the companies the group considers will necessarily be local, the investors are all from the south valley area.

Instead of pooling investors' money in a fund, the group will hear pitches from startup companies and each individual investor can decide whether they want to invest and how much, Jinks said. He said he expects the average deal size to be between \$250,000 and \$500,000 for now.

"When a deal comes through, we identify the interest level, how many investors want to invest and what it would take," Jinks said. "We've got some investors who have got some pretty deep pockets and could invest themselves if they wanted."

The group will provide another tool to help nurture the local business community in Morgan Hill and other communities, said Edith Ramirez, Morgan Hill's economic development manager. She said Morgan Hill is seeing a big uptick in business activity, with more than 250,000 square feet of industrial space taken in the last quarter of 2011.

"We want to nurture our businesses and provide them the services they need so they can grow and flourish," she said. "The South Valley Angels is part of that mix of organizations and institutions that can help them do that."

South Valley Angels is Jinks' first foray into angel investing, but he's worked in business development and sales at early stage startups and has experienced the investment world from an entrepreneur's perspective. He is also a member of the VC-Private Equity Roundtable, an

industry organization for angel, venture capitalist and private equity investors.

Jinks' day job is as owner of GLJ Group, a company that provides product development consulting and services and connects companies with partners that can help them manufacture their products. Jinks said he hopes to bring that approach to the South Valley Angels' portfolio companies, connecting them with partners through licensing agreements and other methods. That way, instead of taking millions from VCs, the portfolio companies can take just a small amount of money from angel investors and then leverage the assets of a larger partner company for manufacturing, distribution or other needs.

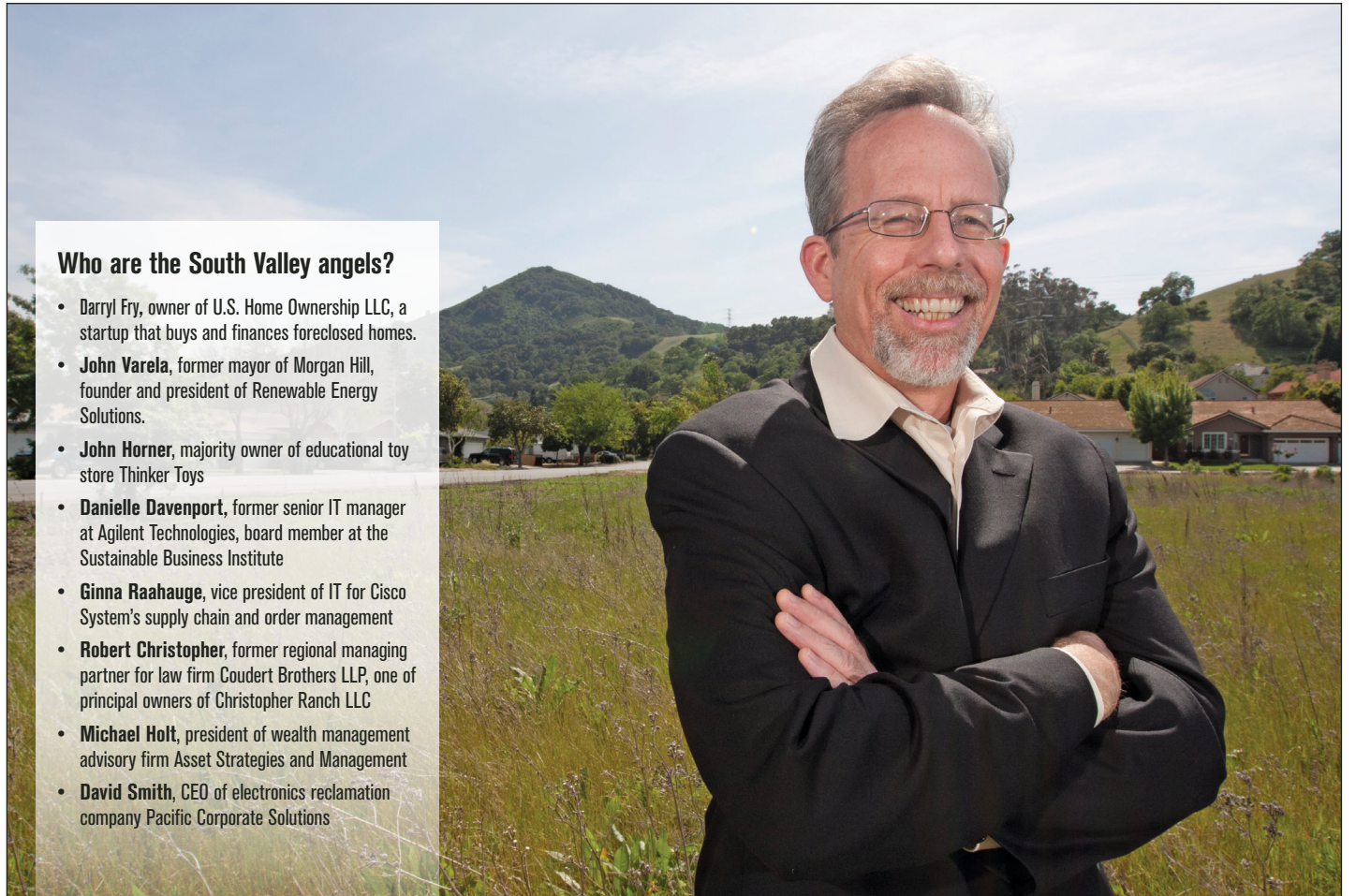
Jinks said he thinks the model will work especially well for the non-tech industries South Valley Angels is interested in.

"For an investor, it's much lower risk," he said. "They're attached to a company we know can execute and has had a success rate doing so."

One of the group's board members, John Horner, said the addition of angel investing is exciting for a region that "has not historically had a lot of razzmatazz going on." Horner has a background in tech and currently is a majority owner of a small chain of educational toy stores, Thinker Toys.

"I think there are needs that the existing Palo Alto-centric angel and venture community doesn't necessarily meet," he said. "They're very focused on the next multibillion-dollar company. That leaves a lot of opportunities for (smaller, but) still substantial businesses that need expertise and need investors and can still produce a strong return. Those kinds of opportunities don't have as many people focused on them."

DIANA SAMUELS can be reached at 408.299.1835 or dsamuels@bizjournals.com.



VICKI THOMPSON